

SECRET

6 DEC 1966

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Comparison of Dining Room Costs  
for FY 1966 and FY 1967

REFERENCES : (a) Memo dtd 14 Oct 66 for DD/S fr D/L,  
subject: Operation of the Director's  
and Executive Dining Rooms  
(b) Memo dtd 21 Jan 66 for Mr. Emmo H.  
Knoche fr AO/DCI, subject: Executive  
Dining Room

1. This memorandum is for your information only and  
amplifies reference (a) (Attachment 1).

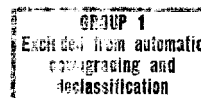
2. Analysis of the costs incurred by the dining room  
has been difficult because there are two dining rooms using  
a common kitchen facility. Therefore, allocations of cost  
properly chargeable to the DCI Dining Room can only be esti-  
mated. Reference (b) (Attachment 2) in citing the cost of  
operating both dining rooms mentions only the labor costs of  
eight persons and excludes the costs of supervision, maintenance  
and repair, overtime, and the many other normal business expenses.

3. In the attached analysis we have included all costs  
identifiable during FY 1966 irrespective of the fact that these  
costs may have been charged to other FAN accounts. On Attach-  
ment 3 we have listed the total costs and net loss in operating  
both dining rooms for the period of 4 July 1965 through 2 July  
1966. Attachment 4 compares an average 20-week period during  
FY 1966 (5/13th of year) with the first 20 weeks of FY 1967  
operation. You will note that the net loss for the 20-week  
period in FY 1967 was \$1,062.21 less than the first 20 weeks  
in FY 1966. Based on the above data, the projected loss for FY  
1967 is 2.6 x \$26,120.16 or \$67,912.42.

4. Attachment 5 estimates the cost of operating the DCI  
Dining Room alone for a one year period. This cost is \$28,510.  
Subtracting this cost from our projected loss for FY 1967 we

MOR/CDF Pages 3 thru 9 and 12  
thru 18.

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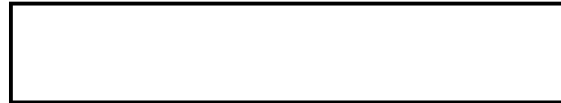


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SUBJECT: Comparison of Dining Room Costs for  
FY 1966 and FY 1967

find the estimated loss in operating the Executive Dining Room to be \$39,402.42. This loss can be somewhat reduced by implementing the increase in prices and other items recommended by reference (a).

5. As noted in paragraph 5. of reference (a), we must conclude that we will never be able to operate the dining room on a self-sustaining basis.



25X1

George T. Meloon  
Director of Logistics

5 Atts

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DD/S 46-5453

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14 OCT 1966

**MEMORANDUM FOR: Deputy Director for Support**

**SUBJECT : Operation of the Director's and Executive Dining Rooms**

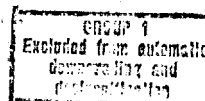
1. This memorandum contains recommendations for your approval; such recommendations are contained in paragraph 7.

2. The subject dining rooms have a well-documented history dating back to 1952. An excellent summary of this history has been prepared by the Administrative Officer, Office of the Director (Attachment 1). Responsibility for the operation of the dining rooms was transferred from the Office of the Director to the Office of Logistics on 1 June 1966 (Attachment 2). Concomitant with this transfer was the requirement to submit a report of the operation, together with recommendations, around 1 October 1966. This paper constitutes that report.

25X1 3. As a first step, the Office of Logistics contracted, on 20 June 1966, with [ ] for professional services relating to the management and operation of the dining rooms. The contract covers a period of six months at the rate of \$200 per week plus a limited mileage allowance. It is estimated that the annual salary cost for supervision prior to 20 June 1966 was approximately the same as the Gourmet Treats, Inc., fee extended to a twelve-month period. It is believed that this action was justified as, since June, the dining room fund has experienced a three-month surplus which, if extended for a year, would total \$2,737.60. This compares with the \$794.79 surplus realized for the preceding year, i.e., 5 July 1965 to 30 June 1966 (Attachment 3). Additional improvements have been made in the operation which result in both savings and in increased convenience to members (Attachments 4 and 5). As examples: all food stuffs are now purchased from wholesalers; dining room hours have been lengthened; a greater variety of menus is offered; linen service costs have been reduced; an ice-making machine was installed; and waste has been curtailed through more closely supervised food preparation.

4. The present dining room membership is 358 and it is not believed that additional members can be accommodated with the present staff of seven

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**SUBJECT: Operation of the Director's and Executive Dining Rooms**

dining room employees. Current salaries for these seven staff employees total \$46,828. An additional \$5,867 is paid the bookkeeper for a total of \$52,695. Of this, about \$25,520 can be absorbed by the Director's Dining Room leaving \$27,175 which must be charged to the Executive Dining Room. Funds transferred to the Office of Logistics for operation of the dining rooms during Fiscal Year 1967 include annual salaries, but do not include any amount for overtime, or for the repair and replacement of equipment. We estimate that this latter expense will approximate \$800 annually. Overtime pay for Saturday operation of the Director's Dining Room is estimated at \$1,500 per year resulting in fixed costs of \$29,475 which must be charged against the Executive Dining Room.

5. It is apparent that operation of the Executive Dining Room with the current membership will never provide sufficient revenue to permit the activity to be self-sustaining. An increase in prices to cover all labor costs would be prohibitive. Therefore, subsidization, to some degree, must be continued. The Agency can be reimbursed by the dining room fund to a limited extent, but the volume of such reimbursement will depend upon income from operations. For example, additional revenue can be obtained by charging à la carte prices for juices and beverages on the light, low-cal, and Chef's Special luncheons. It is estimated that such additional revenue might approximate \$1,000 annually. Dining room employees presently provide coffee delivery service, in carafes, to the Director, Deputy Director, and their immediate offices for five cents per cup. This price barely covers the cost of coffee and supplies. Additional annual revenue of approximately \$1,700 can be obtained by charging ten cents per cup of coffee, which is, incidentally, the GSI price. After-hours, semi-official, special functions, e.g., bon voyage and retirement parties, could add to dining room income. It is estimated that six parties, each with 50 attendees, will be scheduled each four weeks. Based on a \$1.00 profit for each attendee, an annual net income from parties of \$4,000 is estimated. In addition, the imposition of a ten percent surcharge on all dining room bills would result in new revenue of around \$2,600 annually. In summary, additional annual income of \$9,300 can be realized by charging à la carte prices, increasing the cost of coffee, adding a ten percent surcharge to all dining room bills, and scheduling the maximum number of parties. The income realized would be used to reduce the \$29,475 subsidy required for the operation of the Executive Dining Room. This action would result in a reduced annual subsidy of \$20,175.

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**SUBJECT: Operation of the Director's and Executive Dining Rooms**

6. In addition to the items summarized above, several procedural changes have been made in the operation of the dining rooms which will not result in reduction in charges against the dining room fund but will result in overall savings to the Agency. For example:

	<u>Annual Savings</u>
a. Agency vehicles are no longer used by dining room employees for grocery shopping trips and delivery of laundry.	\$ 550
b. Procurement of linens by the Office of Logistics is not required since linen service arrangements provide all such items.	225
c. The kitchen is now cleaned by dining room employees instead of GSA personnel.	<u>1,200</u>
Total	\$1,975

7. It is recommended that you approve the following actions to become effective 1 November 1966:

- a. Increase the price of coffee to ten cents per cup.
- b. Charge à la carte price for:
  - (1) Beverages on the light luncheon.
  - (2) Juices and beverages on the Chef's Special and low-cal luncheons.
- c. Add ten percent surcharge to all dining room bills.
- d. Encourage employees to use the Executive Dining Room for semi-official special parties.

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**SUBJECT: Operation of the Director's and Executive Dining Rooms**

e. Charge the sponsoring office or group for overtime costs incurred for official functions or special parties given during other than normal duty hours.

f. Notify each member of these changes prior to 1 November 1966 (Attachment 6).

Signed: George E. Meloon  
George E. Meloon  
Director of Logistics

6 Atts

The recommendations contained in paragraph 7 are approved.

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R. L. Bannerman  
Deputy Director  
for Support

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Date

**Distribution:**

Orig. - OL/LSD via D/L  
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1 - OL/LSD Official

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ADMINISTRATIVE -- INTERNAL USE ONLY

21 January 1966

MEMORANDUM FOR: Mr. James H. Knapp

SUBJECT: Executive Dining Room

In reference to your request about the costs, operations, and background of the Executive Dining Room:

The Director's Dining Room was first established in 1952 to provide the DCI, DDCI and senior Agency officials a dining room which is physically secure and serviced by cleared personnel, where official functions of operational or representational nature can be held. The legal basis for the use of Agency funds for the establishment and continued maintenance of this facility has been subjected to periodic review by the Office of the General Counsel. In a memorandum to the General Counsel and Comptroller from the Executive Assistant dated 9 January 1959, the Director's position on the establishment of the dining room was clearly stated:

"Since the Director determined that the establishment of dining facilities was basically to fulfill a necessary official function, I feel that these overhead expenses, i. e., spoilage of food, free meals to kitchen personnel, salaries of this personnel, laundry costs, and the cost of heat and light constitutes a reasonable charge which should be borne by the Agency."

The memorandum was concurred in by the General Counsel, Comptroller and the Acting DDS.

When the Agency moved to Langley, it was initially decided that the Agency would operate the Director's private dining room with a staff of three. The large dining room was to be serviced by GSI (Government Services, Inc. which operates the Agency cafeteria). The cost of the meals furnished by GSI would have been about the same price, if not slightly more than what we presently charge in the Executive Dining Room. One major drawback to having

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to be in the building during the lunch hour, and it would not be appropriate nor possible to have them dine in the CMI cafeteria. In addition, there are many sensitive conferences and Bureau of the Deight sessions where Agency and other U.S. Government officials who cannot leave the building because of time factors can be served lunches in the Executive Dining Room. Within the present framework of the operation, the dining room is capable of handling almost any type of catered function or special event from serving coffee to a full-course dinner at little more than a moment's notice.

  
Administrative Officer, O/DCI

STAT

Only A 1 - Addressee

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## ADMINISTRATIVE -- INTERNAL USE ONLY

GSI service the dining room was that all the food would have been prepared in the cafeteria and carted up to the Executive Dining Room in the elevator and through the hallways. The main reason why GSI was not given the contract to service the large dining room was that they could not guarantee to consistently provide the same waiters. In order to meet our strict requirement in having a truly secure dining room with fully cleared employees, (presently all dining room employees have Top Secret, SI, T & KH clearances) GSI insisted that the Agency clear a pool of approximately ten or more people whom they could draw upon to work in the dining room. They also advised that because of their very high rate of employee turnover, they would probably require us to continually clear new employees. Consequently, it was decided that the Agency would operate its own Executive Dining Room.

In a memorandum dated February 1963, approved by the Executive Director and concurred in by the General Counsel, Comptroller, and Acting DDS, it was agreed that: due to increased activity in the dining room and, because all dining room personnel were employed full time in the dining room, they would be slotted on the Office of the Director T/O, and that: certain overhead expenses for the dining room would be absorbed from the dining room fund, i.e., all food and beverage costs, laundry, and purchase of small items of supply and equipment. From the time the Agency moved into its Langley quarters, the Executive Dining Room has been operating under a system whereby the Agency pays for all salaries of the dining room employees and the dining room absorbs most if not all of the operating costs. There are seven employees in the dining room and their annual salaries total approximately \$44,000. Presently the dining room begins operation at 6 o'clock in the morning and ends at 5 o'clock in the evening, Monday through Friday. On Saturdays, it opens at 6 o'clock and closes no earlier than 1 o'clock. Work is scheduled so that a minimum amount of overtime is required. In addition to their routine dining room duties, the dining room staff is required to serve coffee for all USIB conferences; be available for special events during the day and evening at the direction of the Deputy Director; and to make certain that the O/DXI conference room is always clean and ready for use.

The dining room is also supported by a GS-6 (annual salary approximately \$5800) custodian-bookkeeper. He reports to the administrative office by answering the telephone, acting as receptionist and clerk and assisting in other general administrative-type duties. In addition to the salary of the custodian, the total cost of the dining room operation borne by the Agency (in addition to repairing or replacing original equipment) amounts to about \$51,000 annually. I do not

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think we could justly include the salary of a GS-12 administrative officer in the cost of the dining room operation, inasmuch as the administrative officer performs a variety of other duties in addition to overseeing the dining room.

In looking at the dining room operation from a financial point of view, not including salaries, the dining room operates at just about a break-even point. Briefly, it costs the Agency approximately \$52,000 a year to operate the Executive Dining Room. If the dining room operation were to be dissolved today and all of its assets liquidated, there would be a small surplus left over. Of course, the equipment and furniture would revert to Agency stock. I have compiled and attached hereto a brief and estimated profit and loss statement for the dining room as its financial picture looks today. Some other statistics for the dining room which may be of interest to you are: in a 12-month period the gross receipts for the dining room from all sources of revenue are approximately \$24,000, and during that same period, not counting special events, the dining room serves a little over 18,000 meals.

I strongly feel that under the present circumstances, the dining room operates as efficiently and economically as possible. Recently a study was conducted to determine whether or not our food purchases were in line with what GSI pays for their foodstuffs, or whether it would be to our advantage to buy from GSI or to continue buying directly from wholesalers. The study clearly indicated that we were buying at lower prices and that we did not have to make bulk purchases which we would if we purchased from GSI. As for our accounting and billing systems, detailed studies have been made by the Office of Finance and the Office of Training and the procedures used by our office are those in which the Office of Finance and the Audit Staff have concurred as being in line with requirements levied by the Agency regulations. The Dining Room accounts are also checked and audited at least once a year by the Audit Staff.

I realize the initial reaction to the Dining Room operation cost of approximately \$52,000 a year might be surprising, but a good look at the overall advantages would show sufficient justification to maintain its present operation. For example, going back to the original concept for the establishment of the Executive Dining Room: (a) It offers senior Agency officials a physically secure area to transact business during the lunch hour; (b) It affords an opportunity to bring together officials whose busy schedules make it impractical to arrange meetings at the usual hour. Also, because of the official nature and activity of our business, there is a high level of security for our visitors (Ambassadors, Congressmen, State Department, etc.) and in many instances it is required

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**EXECUTIVE OFFICE**

Estimated Profit for Period Ending 31 January 1966

Period Ending 31 January 1966

**ASSETS:**

Cash on Hand	\$ 404.92
Cash in Bank	214.88
Accounts Receivable	2,691.66
Inventory (Estimated)	600.00
	<u>3,911.46</u>

**LIABILITIES:**

Accounts Payable	\$ 409.08
Membership (333 @ \$10.)	3,300.00
Surplus	202.38
	<u>3,911.46</u>

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Executive Dining Room Fund  
Statement of Profit and Loss  
4 July 1965 - 2 July 1966

**INCOME:**

Meals Served	\$23,847.65
Coffee Income	1,827.60
Special Parties	2,246.12
Miscellaneous	<u>18.50</u>

**TOTAL INCOME**\$27,939.87**COST OF SALES:**

Beginning Inventory	\$ --- .---
Purchases:	
Meat and Fish	11,787.01
Other Food	11,733.15
Liquor	651.14
Less Ending Inventory	( <u>--- .---</u> )

**TOTAL COST OF SALES**24,171.30**GROSS PROFIT**\$ 3,768.57

Salaries - Regular	\$51,866.91
Salaries - Overtime	3,311.20
Supervision of Dining Room	11,629.75
Other Expenses:	
Laundry	1,505.46
Flowers	246.54
Labor (G.S.I.)	1,176.60
Repairs & Maintenance	Cost Not Available
Supplies & Equipment	2,497.55
Kitchen Cleaning (G.S.A.)	1,200.00
Linens	458.40
Agency Vehicles	<u>549.90</u>
(Used for Shopping)	
Total Other Expenses	<u>74,442.31</u>

**NET LOSS**(\$70,673.74)**SECRET**

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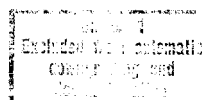
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Approved For Release 2006/09/28 : CIA-RDP84-00780R001200040003-4  
COMPARISON of 5/13ths of Accounts for FY 1966 with the First Five Months of FY 1967

INCOME:	<u>FY 1966</u>	<u>FY 1967</u>
Meals Served	\$ 9,172.15	\$ 9,940.75
Coffee Income	702.90	817.20
Special Parties	863.85	1,584.85
Miscellaneous	<u>7.10</u>	<u>12.00</u>
TOTAL INCOME	\$10,746.00	\$12,354.80
COST OF SALES:		
Beginning Inventory	\$ ----	\$ ----
Purchases:		
Meat and Fish	4,533.45	5,127.01
Other Foods	4,512.75	5,602.79
Liquor	250.45	431.52
Less Ending Inventory	( <u>----</u> )	( <u>1,079.25</u> )
TOTAL COST OF SALES	<u>9,296.65</u>	<u>10,082.07</u>
GROSS PROFIT	\$ 1,449.35	\$ 2,272.73
Salaries - Regular	\$19,948.81	\$20,267.30
Salaries - Overtime	1,273.53	1,106.69
Supervision of Dining Room	4,473.10 (1)	----
<div style="border: 1px solid black; display: inline-block; width: 150px; height: 30px; vertical-align: middle;"></div> Salary	----	4,000.00
	----	428.80 (2)
Other Expenses:		
Laundry	579.00	738.61 (3)
Flowers	94.80	44.96
Labor (G.S.I.)	452.50	449.24
Repair & Maintenance	Cost Not Available	115.94
Supplies & Equipment	960.60	1,241.35
Kitchen Cleaning (G.S.A.)	461.54	---- (4)
Linens	176.30	----
Agency Vehicles	211.54	---- (5)
(Used for Shopping)		
Total Other Expenses	<u>28,631.72</u>	<u>28,392.89</u>
NET LOSS	( <u>\$27,182.37</u> )	( <u>\$26,120.16</u> )
Average Membership Per Period	330	360
Projected Loss for 52 Weeks		\$67,912.42

- (1) 5/13ths of 75% of Dining Room Supervisor's Time  
 Plus 25% of AO/DCI
- (2) Recently Added New Employee to Improve Service
- (3) Provides Linens
- (4) Included in Overtime Above
- (5) Food Now Delivered without Additional Cost

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ESTIMATED Cost to Operate DCI Dining Room for One Year

1. Assume price charged equals cost of food only.	
2. Salaries - 3 1/3 Persons	\$25,324.00
Salaries - Overtime	1,664.00
Other Expenses:	
Laundry	520.00
Flowers	50.00
Labor (G.S.A.)	100.00
Supplies & Equipment	752.00
Kitchen Cleaning	---
Linens	---
Agency Vehicles	---
Maintenance & Repairs	100.00
	<u>\$28,510.00</u>

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Excluded from automatic  
downgrading and  
declassification